

VERMONT PENSION INVESTMENT COMMITTEE
January 22, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

VPIC Member(s) Absent:

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

VPIC Alternate Members Present:

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson and Bill Griffin, Attorney General's Office

Chris Levell and Doug Moseley, NEPC LLC

Jeff Briggs, VSERS Board member

Barry Bryant, City of Burlington

Christopher Talbert and Springer Harris, Teucrium Trading, LLC

Maree Mitchell and Jack Kirkpatrick, Aberdeen Asset Management

Maura Neely, Sarah Gilfillan and Isaac Kruschek, Wellington Management Company,

LLP

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, January 22, 2013 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval, Announcements, Minutes of December 18, 2012
Regular Meeting and Minutes of January 2, 2013 Special Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda. Mr. Rauh reminded the Committee members to have their annual conflict of interest forms filled out and returned to Katie by February 15th.

Mr. Rauh indicated he would provide the Committee a brief overview of the one-day BSAS conference he attended in Boston later in the meeting. Mr. Moseley indicated they are still waiting for numbers on the flash report, but indicated the flash report would be available mid-day.

On a motion by Mr. Mackey, seconded by Mr. Altemus, the Committee unanimously approved the minutes of the December 18, 2012, Regular Meeting, as submitted.

On a motion by Mr. Johannesen, seconded by Mr. Jeffrey, the Committee unanimously approved the minutes of the January 2, 2013, Special Meeting, as submitted.

ITEM 2: Director of Investments Report and Action Items

- **Review December Flash Report**

Mr. Considine indicated the amendment to the assets under management report was on the table. Mr. Considine indicated on a quarterly basis the Director's report would include VPIC related contract items that required action. Mr. Considine provided an update on Mondrian after their recent conversation. There was a discussion concerning the proxy voting sub-committee and ISS's desire to visit Vermont. Mr. Considine indicated they received a call from Schroder's indicating a London employee was arrested for insider trading, but that there were no connections to VPIC.

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **Contract Updates**
- **Proxy Voting Guidelines Sub-Committee Update**
- **NEPC Investment Manager Watch List Update: Post Advisory**

Ms. Pearce indicated to the Committee items that would be addressed during this legislative session.

(Mr. Briggs arrived at this time.)

Mr. Wisloski indicated they would need to discuss the ISS proxy voting contract.

On motion by Ms. Pearce, seconded by Mr. Altemus, the Board voted unanimously to enter Executive Session at 8:58 a.m. pursuant to Title 1, § 313 for the purpose of

discussing contract issues. The Board invited NEPC staff to enter Executive Session with the Board members.

(Mr. Talbert and Mr. Harris left the meeting at this time.)

(The Board exited Executive Session at 9:15 a.m.)

(Mr. Talbert and Mr. Harris returned to the meeting at this time.)

On motion by Ms. Pearce, seconded by Mr. Jeffrey, and after a friendly amendment, the Board voted unanimously to extend the ISS Terror Nations contract up to February 28, 2013 and to authorize the Treasurer's Office staff to pursue dual negotiations with J.P. Morgan and IW Financial for purposes of Terror Nations.

Mr. Rauh indicated the Committee will continue with the discussion items and updates after lunch.

(Mr. Griffin left the meeting at this time.)

ITEM 4: NEPC Emerging Markets Overview and Manager Presentations

- **Aberdeen – Emerging Market Equities**
- **Wellington – Emerging Market Debt**

Mr. Moseley reviewed the *Emerging Markets Overview* document with the Committee members. Mr. Moseley reviewed with the Committee members NEPC's perspective on the emerging market economies and financial markets. NEPC responded to all the questions posed by the Committee members.

(Ms. Mitchell and Mr. Kirkpatrick entered the meeting at this time.)

The presenters from Aberdeen Asset Management were introduced and welcomed to the meeting. Mr. Kirkpatrick provided the Committee a brief background of Aberdeen Asset Management. Ms. Mitchell discussed with the Committee members VPIC's portfolio and the performance of the VPIC emerging markets equity portfolio. The representatives from Aberdeen Asset Management responded to the questions posed by the Committee.

(Ms. Mitchell and Mr. Kirkpatrick left the meeting at this time.)

(A recess was taken from 11:00 a.m. to 11:09 a.m.)

(Ms. Neely, Ms. Gilfillan and Mr. Kruschek entered the meeting at this time.)

The presenters from Wellington Management Company, LLP were introduced and welcomed to the meeting. Mr. Kruschek provided the Committee a brief background of

Wellington Management Company, LLP. Ms. Neely discussed with the Committee the performance of VPIC's emerging markets debt portfolio. Ms. Gilfillan discussed with the Committee members VPIC's opportunistic investment allocation and diversified alpha strategies. The representatives from Wellington Management Company, LLP responded to the questions posed by the Committee.

(Ms. Neely, Ms. Gilfillan, Mr. Kruschek and Mr. Golonka left the meeting at this time.)

(A luncheon recess was taken from 12:31 p.m. to 1:02 p.m.)

ITEM 5: Director of Investments Report and Action Items – (Continued)

- **Review December Flash Report**

Mr. Moseley reviewed with the Committee the December Flash Report and responded to the questions posed by the Committee members.

ITEM 6: Discussion Items/Updates – (Continued)

- **NEPC Investment Manager Watch List Update: Post Advisory**

Mr. Moseley provided the Committee members an update on Post Advisory. The Committee discussed the departures of personnel at Post Advisory. Mr. Moseley indicated he will continue to update the Committee concerning Post Advisory.

ITEM 7: Asset Allocation Model Assumptions and Process Overview

Mr. Rauh provided the Committee members his thoughts and reactions from the one-day BSAS asset allocation conference he attended in Boston.

Mr. Levell reviewed the *Assumptions and Actions for Clients* document with the Committee members. Mr. Levell responded to the questions posed by the Committee members. Mr. Rauh indicated that asset allocation would be reviewed in detail at the February VPIC meeting.

ITEM 8: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee members the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

ITEM 9: Other or New Business

None.

ITEM 10: Adjournment

The meeting was adjourned at 3:10 p.m.

Respectfully submitted,

Monica Chiren, Clerk